



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

Executive Registry

88-1083X

March 14, 1988



MEMORANDUM FOR: DISTRIBUTION

FROM:

L. Wayne Army, III
L. Wayne Army, III
Associate Director for
National Security and
International Affairs

SUBJECT: Impact of Offsets in Defense-Related Exports

Section 309 of the Defense Production Act (DPA 309) mandates an annual "...report on the impact of offsets on the defense preparedness, industrial competitiveness, employment and trade of the United States. Such report(s) shall also include a discussion of bilateral and multilateral negotiations on offsets...[and] information on the types, terms, and magnitude of the offsets." Through the interagency Coordinating Committee on DPA 309 Reports, chaired by OMB, three such reports have been prepared. Executive Order 12521 sets forth the responsibilities of the various departments and agencies.

Statistical data to support these reports was collected from industry in 1985 and another survey is planned for this summer. This memorandum seeks your views on two closely related matters concerning the 1988 survey that could not be resolved by the interagency committee. First, a decision must be made as to whether 151 subcontractors, as well as the 52 prime contractors, should be surveyed. While inclusion of some subcontractors has apparent political advantages, the data so collected would 1) be of questionable value for analytic purposes, 2) add to the report preparation workload, and 3) increase the direct costs of the survey dramatically. Secondly, I am asking for voluntary commitments by agencies to share in the cost of the 1988 data collection.

Commerce's Bureau of Economic Analysis, which will act as the collection agent, has estimated costs ranging from \$122,000 to \$173,000 for a survey of prime contractors and of \$350,000 if subcontractors are included. Your representatives on the interagency committee have reviewed this memorandum and hold copies of all the requisite materials.

Please let me know by COB March 28, 1988 what sort of a survey is preferred by your department or agency and the amount that can be contributed to the cost of the 1988 data collection.

A REGISTRY

60-7

LIA-5

DISTRIBUTION LIST

Honorable Manfred Eimer
Acting Director
Arms Control & Disarmament Agency
Room 5930
320 21st Street, N.W.
Washington, D.C. 20451

Honorable Julius W. Becton, Jr.
Director, Federal Emergency
Management Agency
Room 828
500 C. Street, S. W.
Washington, D.C. 20472

Honorable William Webster
Director
Central Intelligence Agency
Washington, D.C. 20505

Honorable William H. Taft
Deputy Secretary of Defense
The Pentagon, Room 3E944
Washington, D.C. 20301-2000

Honorable Thomas G. Moore
Member, Council of Economic
Advisers
Room 314 OEOB
Washington, D.C. 20500

LTG Colin Powell
Assistant to the President
for National Security Affairs
The White House
Ground Floor, West Wing
Washington, D.C.

Honorable Gerald McKiernan
Chief of Staff
Department of Commerce
Room 5854
Washington, D.C. 20230

Honorable John C. Whitehead
Deputy Secretary of State
Department of State
Room 7220
Washington, D. C. 20520

Honorable Dennis E. Whitfield
Acting Secretary
Department of Labor
Room So. 2018
200 Constitution Ave., N.W.
Washington, D.C. 20210

Honorable Clayton Yeutter
United States Trade Representative
Room 209
The Winder Building
Washington, D.C. 20506

Honorable M. Peter McPherson
Deputy Secretary of Treasury
Department of the Treasury
Room 3326
15th & Penn. Ave., N.W.
Washington, D.C. 20220